

## House to probe CIA-S&L connection

The House Permanent Select Committee on Intelligence announced on March 1 that it will investigate alleged CIA involvement in the collapse of 22 failed savings and loans (S&Ls). The plans to investigate grew out of a series of stories by the *Houston Post's* Pete Brewton, who reported that his "eight-month investigation into the role of fraud in savings and loan failures found numerous links between organized-crime figures and CIA operatives, including some involved in gun running, drug smuggling, money laundering and covert aid to the Nicaraguan contras."

(See "In Short," February 21 and February 28.) The cost to the taxpayer for bailing out these failed thrifts is put at \$13.1 billion.

**Bush whacked?** The committee will likely be probing waters infested with sharks, loan and otherwise. One of the 22 failed S&Ls that the *Post* links to the CIA and organized crime is Silverado Savings of Denver, Co.—at one time the second-largest S&L in the state. It is estimated that the Silverado bailout will cost taxpayers \$1 billion. (This figure is more than half of what President George Bush proposes spending on the Head Start early-education program in 1991.) One of Silverado's former directors is the president's 35-year-old son, Neil Bush. Neil sat on the Silverado board from mid-1985 to October 1988, two months before federal regulators closed it down. Keith Dubay reports in the *Rocky Mountain News* that on January 26 the U.S. Treasury Department's Office of Thrift Supervision announced that it would seek a cease-and-desist order against the young Bush for engaging in what officials consider questionable banking practices. The government's case alleges that certain loans approved by Bush during his tenure as a Silverado director involved "conflicts of interest." Bush has told reporters that the Office of Thrift Supervision was merely referring to a June 1986 vote he cast to grant a Silverado loan to Bill Walters, a prominent Denver real-estate developer. Bush would not disclose the amount of the loan. Walters, who has defaulted on untold tens of millions of dollars in Silverado loans, was a partner in JNB Exploration, an oil company founded in January 1983 by Bush and two friends from the Amoco corporation. In 1982, Walters contributed \$150,000 to help Bush start up JNB. A bank owned by Walters, Cherry Creek National Bank, later loaned the Bush partnership \$1.75 million. JNB never repaid that loan, and consequently the bank foreclosed on land that had been put up as collateral by another Bush partner, Ken Good, a real-estate developer who owned stock in Silverado. Good is currently the sole owner of JNB. Like Walters, Good also was granted loans by Silverado, but Bush says he abstained from those votes. According to the *Rocky Mountain News*, Good defaulted on at least \$32 million worth of Silverado loans. As Bush once told Bernice Stengle of the *St. Petersburg Times*, "[Good] likes taking small risks for big potential rewards." In 1985 Good left Denver for Tampa, Fla., where he founded Gulfstream Holding Corp. with the help of loans from Silverado and placed young Bush on the board of directors. Gulfstream's real-estate developments in Florida are now sinking under a \$100 million debt that Good is having trouble paying off. Since Good's move to Tampa, 15 of the 20 lending institutions he has borrowed from either failed or are operating under federal regulators. In a press release, Bush said he never personally benefited from the tens of millions in loans Silverado made to his business partners.

**CIA verbage:** The intelligence committee's decision to investigate possible CIA and mob connections to S&L failures follows the refusal of CIA Director William Webster to appear at a closed-door session of the House Subcommittee on Financial Institutions, Supervision and Regulation. Webster had been asked to meet with the subcommittee concerning the allegations raised by the *Post*. In a February 14 valentine to subcommittee chairman Rep. Frank Annunzio (D-IL), Webster denied the request. The CIA explained in a letter, "As a matter of principle, we do not believe it appropriate to dignify with formal congressional testimony scurrilous and unsubstantiated allegations such as those made by the *Houston Post*." But that letter, which was issued by the CIA's Director of Congressional Affairs E. Norbert Garrett and signed by Deputy Director Gary Chase, raised more questions than it answered. It claimed that CIA officials "have been in contact with Assistant U.S. Attorney John Smith in Houston, who is quoted in the *Post*. Smith states emphatically that he has never said that there is any connection between his office's ongoing banking in-



vestigation and the CIA, and that he is not aware of any such connection between the CIA and the ongoing banking investigation. The reporter appears to have neglected to include this part of Smith's statement in the article." But according to Smith, the CIA letter misrepresents his statements. Smith says that, contrary to CIA claims, Brewton had quoted him accurately. Smith explained to the *Post*, "When that [CIA] guy called me, I told him I wanted [the part where I supposedly said there was no CIA connection] deleted [from their letter to the subcommittee], and I wanted them to say something else because I didn't think that part was quite accurate." When told of Smith's protestation, CIA spokesman Mark Mansfield said the agency "stands by the letter." In response, *Houston Post* editor in chief David Burgin said, "The *Post* stands by its stories. It isn't the *Post* making these charges; it's any number of sources, some of who have come forward at what they believe to be great personal risk. ... Let the Congress investigate the allegations and connections with the same vigor it probed the Iran-contra affair to see who is culpable. Unfortunately, as history has shown time and again, the 'C' in CIA does not stand for credibility. The fact remains that billions of dollars are missing in the national S&L scandal. Where did it all go?"

**It's a scandal:** Having been stymied by the CIA, Annunzio wrote Rep. Anthony Beilenson (D-CA), the chair of the House Permanent Select Committee on Intelligence, asking him to investigate the *Post* allegations. Annunzio wrote, in part: "I asked the staff of [my] subcommittee to conduct preliminary investigations to see if there was ground to pursue the matter further. ... Because of the large number of media charges, the staff was not able to pursue many leads. However the staff did interview twice a former Department of Justice prosecutor, who told the staff that while pursuing a bank-failure investigation, he was told by FBI agents to drop the investigation of one of the individuals connected with the bank failure because that individual had 'CIA connections.' The prosecutor was also told that the individual involved had a 'get-out-of-jail-free card.' [This is a reference to Iranian businessman Farhad Azima; see 'In Short,' February 28.] My staff contacted one of the FBI agents who was present at that meeting and was told that the statements made by the former prosecutor were correct, and that the statements regarding the CIA were made in his presence. ... In face of the billions of dollars that are being paid to protect depositors, we cannot allow any suggestion that the CIA was behind the failure of any financial institution not be investigated. If these charges are true, then appropriate action must be taken against the CIA. I know of no 'get-out-of-jail-free card' that applies to the CIA. No agency is above the law. ... In that regard, I am writing to ask that your committee undertake a complete investigation of the allegations that the CIA was involved in the collapse of some financial institutions around the country. I am asking that the committee conduct a thorough investigation so that there can be no unsettled questions in this extremely troubling area."

**Who's in charge?** The man who will oversee the Permanent Select Committee on Intelligence investigation is Anthony C. Beilenson of Beverly Hills, Ca. As a liberal California Democrat, Beilenson opposed aid to the contras and funding for Star Wars. He is an ardent supporter of public financing of congressional elections. He is also concerned about erasing the federal deficit, a feat made more difficult by the \$150 billion to \$200 billion it will cost to bail out failed S&Ls. A congressional aide who has worked on Central American issues with Beilenson told *In These Times*, "He's a good, decent, progressive guy. He's been against contra aid. He's been a pretty good chair of the intelligence committee."

**News not fit for print?** With the exception of one report by National Public Radio's Linda Wertheimer, the national media appears to be ignoring the *Houston Post* stories. The big-three television networks have been silent. Likewise neither the *Washington Post* nor the *New York Times* has bothered to report on Brewton's findings, although the *New York Times* reportedly has people in the field. "The major-league players haven't done anything," Brewton told *In These Times*. "I didn't expect them to immediately. They are not the kind of guys that are going to rewrite a *Houston Post* story—you know, they are above all that. But they're the ones that can really get Congress moving, and it's going to take a congressional investigation to help uncover and expose what has happened. If the major news organizations don't start working on this, it will not be a good sign for any of us."